

NEWS

From the County of San Bernardino

www.sbcounty.gov/atc



For more information, contact
Tracy Calentti, ATC Project Administrator
(909) 387-9101
tracy.calentti@atc.sbcounty.gov

FOR IMMEDIATE RELEASE
February 27, 2013

WALKER CONGRATULATES VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

San Bernardino, CA — San Bernardino County Auditor-Controller/Treasurer/Tax Collector Larry Walker congratulates the Victor Valley Union High School District on the successful issuance of \$18 million of Tax and Revenue Anticipation Notes (TRANs). San Bernardino County issued the notes on behalf of the school district to provide funding needed to continue district operations until deferred state funding is received.

Walker stated, "We are pleased we were able to assist Victor Valley Union High School District with the issuance of this TRAN and improve the financing outcome for the students, school district, and taxpayers."

The school district was facing insolvency and the loss of fiscal independence due to the pending maturities of \$75 million of Bond Anticipation Notes (BANs) because the district did not have the available funding in its general fund to repay the notes. The school district approached the County to issue the TRANs on its behalf due to the district receiving a negative budget certification. In addition to the TRANs issued by the County, the district also issued \$37 million of general obligation capital appreciation bonds (CABs) which were needed to complete the refinancing of the BANs. The district's issuance of capital appreciation bonds did not require County authorization.

In October 2012 the San Bernardino County Superintendent of Schools Office assigned a fiscal advisor to assist and monitor the district because the district had been issued a negative budget certification and was facing a possible state takeover. The Auditor-Controller/Treasurer/Tax Collector worked closely with the San Bernardino County Superintendent of Schools, as well as district staff, to achieve the best possible financing outcome and avoid a state takeover of the district.

"They were in a very tough spot which required the district to make some very difficult choices. I commend the district for using all available cash and making the necessary cost reductions, including concessions negotiated with the unions, needed to reduce the cost of this financing to the taxpayers," Walker said.

Walker has repeatedly stated his public opposition to BAN and controversial CAB financings. He strongly believes those financing tools are being used to circumvent voter-approved Proposition 39 borrowing limitations. "If Victor Valley had not issued the Bond Anticipation Notes in 2010, they would not be in this difficult situation," said Walker.

Walker contends that the district was ill-advised to issue the short-term BANs in 2010 because Prop 39 limits would not have allowed the district to issue additional general obligation debt approved by Measure V. Additionally, the 2010 BANs were issued by the district without the oversight and

approval of either the County Treasurer or County Superintendent of Schools. “There is no justification for the issuance of BANs when Prop 39 limits are capped,” stated Walker.

Regarding the district’s decision to issue \$37 million of capital appreciation bonds, Walker commented, “While it is certainly not our preference that the district chose to issue CABs in order to refinance the BANs, we do recognize that the district was left with very few options to avoid insolvency.” The district chose to issue the CABs under a government code section that allows them to do so without the oversight and approval of the county treasurer. Walker noted that measures were taken by the district and its financial advisor to mitigate some of the excessive costs associated with CABs. The CABs maturing beyond 2036 were issued with call option features and the bonds were sold in a competitive bidding process to reduce borrowing costs. “Going forward, I encourage the district to manage their debt portfolio in a conservative manner and to look for opportunities to refinance the CABs when further cost savings are achievable,” said Walker.

Walker stated, “The Auditor-Controller/Treasurer/Tax Collector stands ready to assist San Bernardino County school districts with their debt financings to ensure the long-term fiscal health of the districts and the taxpayers interests are protected.”

Walker supports and encourages the California Legislature to act quickly on Assembly Bill 182 (Buchanan/Hueso), which will limit CAB financing. If passed, the bill will restrict maximum school district debt repayment ratios to 4 to 1, restrict school districts and community colleges from issuing debt beyond 25 years in maturity, and force CABs maturing more than 10 years after the date of issuance to be subject to mandatory redemption before its fixed maturity. The bill also would require that an analysis of overall cost and a comparison of the cost between CABs and traditional current interest bonds be prepared and presented to the governing board of the school district or community college district, along with a rationale for such financing.

###